



News Release

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IRS Identifies 40 Frivolous Positions for Taxpayers to Avoid On Tax Returns

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WASHINGTON — The Internal Revenue Service today issued guidance identifying dozens of frivolous positions that taxpayers should avoid when filing their tax returns. The guidance lists 40 positions which have no basis for validity in existing law or which have been deemed frivolous by the United States Tax Court or other federal court.

If these or other frivolous positions are contained in a tax return, taxpayers could face a \$5,000 penalty – 10 times the previous maximum.

“People should remember they are ultimately responsible for what is on their tax return even if some unscrupulous preparers have steered them in the wrong direction,” said IRS Commissioner Mark W. Everson. “The truth about these frivolous arguments is simple: They don’t work.”

In 2006, Congress increased the amount of the penalty for frivolous tax returns from \$500 to \$5,000. The increased penalty amount applies when a person submits a tax return, or other specified submission, and any portion of the submission is based on a position the IRS identifies as frivolous.

IRS Notice 2007-30 contains a list of frivolous positions that will trigger the increased penalty amount.

Four revenue rulings issued in conjunction with the notice address specific frivolous claims often made to the IRS. The revenue rulings center on:

- False arguments that wages are not taxable income.
- Filing returns and paying taxes are voluntary.
- The IRS must provide taxpayers with a summary record of assessment made on a Form 23C, “Assessment Certificate-Summary Record of Assessments”, before overdue taxes may be collected.
- Income is not subject to taxation when the taxpayer declares that he is not a United States citizen because he is a citizen of an individual State or claims he is not a person as defined by the Internal Revenue Code.

The revenue rulings emphasize the adverse consequences to taxpayers who fail to file returns or fail to pay taxes based on an erroneous belief in any of these frivolous

arguments.

Additional information about frivolous positions is available on the IRS website at IRS.gov. "The Truth About Frivolous Arguments" is a 64-page document updated in December 2006 that addresses false arguments about the legality of not paying taxes or filing returns. The document includes citations from numerous cases decided by the courts and responds to 40 frivolous contentions.

The courts have not only rebuked these arguments numerous times, but also have imposed thousands of dollars in fines on taxpayers or their representatives for pursuing frivolous cases.

"Our rulings on frivolous arguments emphasize that the IRS and the courts reject these arguments about the validity of the income tax and 'too good to be true' schemes to eliminate tax liability," said IRS Chief Counsel Donald L. Korb.

The IRS continues to investigate promoters of frivolous arguments and to refer cases to the Department of Justice for criminal prosecution. In addition to tax and interest, taxpayers who file frivolous income tax returns face a \$5,000 penalty, and may be subject to civil penalties of 20 or 75 percent of the underpaid tax. Those who pursue frivolous tax cases in court may face an additional penalty of up to \$25,000.